

Property Writes

PROPERTY TAX DIVISION NEWS LETTER APRIL 2005

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MESSAGE FROM THE DIRECTOR

- **Denny Lytle**

The recent legislative session did not make significant changes to the property tax systems. Those changes the legislature did pass should be relatively easy to implement. Contained in this newsletter is a summary of some of the bills that we think have the most impact on the assessment process.

The UAC spring conference is scheduled for Layton in April. We in the division appreciate the opportunity to meet with the various county officials and discuss the issues of interest to us all. While the counties and the state have different functions and responsibilities in the property tax process, we are all working toward the same objectives. I believe that the more closely we work together and coordinate the better it is for the taxpayers of the state.

Our real property section has been very busy with involvement with various commercial projects in the counties and working to complete the preliminary sales ratio studies for this year. I believe that the combined efforts of the counties and the Property Tax Division have made this whole process more timely and effective. The statewide statistics continue to show that this is the right direction. The county assessment levels and dispersion continue to show improvement. Our tax rate and statistic folks have also been working hard to develop tools that make that process easier for all of us.

The division is in the middle of the 2005 assessment for centrally assessed companies. We understand the impact our assessments have on the counties, school districts, and other taxing entities, especially when you have to give refunds. We are working hard to be reasonable and defensible in our initial assessments and then stand firm. While this process has many challenges, we have heard and understand your concerns.



WHERE AM I?

CHANGES IN THE DIVISION

- Craig Jolley

We are pleased to announce a few changes in division management. After losing Blaine Smith to retirement, we have promoted Lamar Sayer to Manager over Tax Rates and Statistics. Lamar brings a wealth of experience, warmth and a great sense of humor.

We also lost Charles (Chuck) Peterson to the Department of Commerce Public Utilities Division. Filling the position of Manager of Utilities Valuation will be Sheldon Draper, who has roots in Sanpete County and vast years of experience in utility valuation is known for his sage wisdom.

We are pleased to have each of these fine gentlemen on the division management team.

EDUCATION

- Ron Smith

The Property Tax Division has been busy hosting twelve appraisal education courses through March 31. Most of those classes have been designed for new employees to become Appraiser Trainees. These students needed 75 hours of pre-license education including USPAP.

No additional appraisal courses are scheduled until May 27. This will allow both the counties and the property tax division to finish up the assessment rolls before the upcoming deadlines. But starting in June, there will be plenty of classes both for licensing and continuing ed. For a complete list, check the web site at <http://propertytax.utah.gov/>. For further information, call Ron Smith at (801) 297-3691.

NATURAL RESOURCES

- Paul Bredthauer

Oil and Gas companies continue to drill new wells in the State with most of the activity being in the Uintah Basin. The majority of the wells are gas wells and because of this activity the total gas production in the state has been flat. Oil production though continues to be on the decline. It looks like the values for these properties next year will be maintained due to the higher cost of both products.

Testing of the new computer system continues with improvements being implemented as recommended by the staff. The section is also in the process of testing an ArcPad GIS program to determine how this programs application can be used to improve our fieldwork. With this program aerial photos and locations of mining properties can be loaded on the note pad. A GPS instrument is connected to the note pad and shows your location. This looks to be promising as it shows roads that are not on topographical maps. The initial testing has been used in locating oil and gas wells but the potential to use in mining properties is promising.

WHERE AM I? Summit County Building



CERTIFIED TAX RATES

- La Mar Sayer

Well, it is almost that time of the year again. Already this year we have distributed a software program in Microsoft Access that enables the County Treasurers to input their TC-750 data. This program then automatically calculates the taxes charged, the actual taxes collected and the collection ratio. The program will also print off a page for each entity the treasurers can send to every entity in the county. The exciting aspect of this software for us in the Tax Commission is that we will not have to hand enter all of the TC-750's. What took us hours to enter and then to check, we can now do in minutes. This change should speed up the entire process and enable us to much more quickly review the 750's and the 233B's for accuracy. This change will enable us to get back to the counties in a more timely manner with questions about these two reports. Hence, we will be quicker with the review of the 697 data and hopefully, this change will shorten the entire process in May and June so that we can get all of the numbers turned around and back to the counties much more timely. We will just have to wait and see, but we think this is a major step in speeding up the entire tax rate process.

We should also note that Blaine did retire and leave us. We had a nice party for him on March 9th and sent him on his way with a few gifts and a lot of love. We will really miss him and the many things that he did for us here at the Tax Commission. Somehow, we will try and struggle along without him. It will be hard, but, as they say, "Into the valley road the six hundred." At least that is what we think they say.

The tax rate team will be meeting with both the Treasurer's and the Auditors at UAC in April. We have several issues that we wish to discuss with you and get your input. So, please bring your thinking caps and be prepared to teach us a thing or two.

We are also beginning our annual "road trip." We made our first county visit on March 22 (Davis county) and our last visit will be on April 28th (Daggett County). In between those two dates we will be visiting the other 27 counties. We look forward to seeing you again. These visits have been really valuable to us as we have been able to learn more about your counties and your individual challenges and blessings. Needless to say, we are really excited about the opportunity the visits provide to us.

One more note. This year we will be taking photos of each county seat and some of the interesting sites in the counties. We will then include some of those photos in the Property Writes and at UAC. The individual who recognizes the highest number of the photos will win a surprise. Exciting.

T-Mobile Hearing

On March 14 thru March 16 a formal hearing was held for T-Mobile USA Inc. a State Assessed Property. The Tax Commission had previously issued a decision in an Informal Hearing. Both the counties and T-Mobile appealed the Commission's Initial Hearing Decision.

The Division's Initial Utah Value was \$152 million. The value set by the Commission at the initial hearing was \$89 million. The Counties requested a value at the Formal Hearing of \$176 million and T-Mobile requested a value of \$56 million. The Division presented a Formal Hearing value of \$124million.

The issues that affected value the most at the hearing were: 1) what unit to appraise? 2) What are the intangible items that are non-taxable and the intangible items that are taxable? 3) Is goodwill taxable, partially taxable or totally taxable?

Bill Peters and David Scofield represented the counties. Eck Parwick was the counties' witness. Mark Buchi and Steve Young represented T-Mobile. T-Mobile's witnesses were David Shank and Dave VanNess. Tim Bodily and Larin Lind represented the Property Tax Division. Charles Peterson was the witness for the Property Tax Division.

Post hearing briefs will be filed with the Commission. The Commission will then make their decision based on the evidence presented.

Summary of 2005 Property Tax-Related Legislation Property Tax Division March 23, 2005

HB 3 Minimum School Program Act Effective 6/1/05

Provides for state and local funding of public education's Minimum School Program. It identifies .001702 as the preliminary estimate for the 2005-06 minimum basic tax rate that is to generate \$225,872,138 in property tax revenues statewide.

HB 45 Property Affected by Access Interruption Effective 5/2/05

Allows the owner of the property sustaining a decrease in market value caused by access interruption to file an application for a fair market value adjustment with the BOE on or before September 30th. Access interruption means interruption of the normal access to or from property due to circumstances beyond the control of the owner to include: road construction, traffic diversion, accident, vandalism, explosion, fire, flood, storm, tornado, winds, earthquake, lightning, any adverse weather event or similar events as determined by USTC administrative rule. The BOE is to hold a hearing 30 days after the application is received. The BOE may reduce the property value by an amount equal to the decrease in market value multiplied by the portion of the calendar year that the property value was decreased. The BOE decision is to be provided to applicant within 30 days after the hearing and is appealable to USTC.

HB 53 Tax Treatment of Personal Property Effective 1/1/06

Reduces the uniform statewide fees on motor homes required to be registered with the state. Beginning January 1, 2006, the rate is reduced to 1.25% of the value of a motor home, and beginning January 1, 2008, the rate is further reduced to 1%. The uniform statewide fee is to be assessed at the time of registration or renewal of registration. A taxpayer dissatisfied with the value of the motor home may make an appeal to the county legislative body.

HB 113 Government Boundary Changes Effective 5/2/05

Modifies provisions relating to the processes and requirements for notifying certain entities when a governmental boundary is created, modified, or dissolved for a county, municipality, special district, local district, redevelopment agency, local school district, or an entity created by interlocal agreement. It standardizes the flow of information for entity boundary changes to be through the lieutenant governor who notifies entities needing boundary change information; i.e., State Tax Commission, AGRC, state auditor, county recorder, county surveyor, county auditor and county attorney. Creates a surveyor position with AGRC to provide technical support to the lieutenant governor and the State Tax Commission and coordinate with county recorders and surveyors to create a statewide parcel layer. Also, it requires the lieutenant governor to certify boundary creations, modifications and dissolutions and to keep, index, maintain and make available to the public documentation of such.

HB 147 Property Tax Exemption for Veterans Effective 1/1/05

Increases the limitation on the property tax exemption relating to disabled veterans and veterans who are killed in action from \$82,500 to \$200,000 beginning 2005; for each year thereafter, \$200,000 plus an amount calculated by multiplying the amount of the limitation for the previous year by the actual percent change in the Consumer Price Index during the previous calendar year. Also, it limits the property that is eligible for the exemption to the claimant's primary residence and/or tangible personal property that is held exclusively for personal use and is not used in a trade or business. For a veteran who is killed in action or died in the line of duty, or that veteran's unmarried surviving spouse or minor orphan, the exemption is equal to 100% of the value of the property entitled to the exemption.

HB 324 Taxable Value Adjustment for Property Damaged by a Natural Disaster

Effective 1/1/05

Provides for a property tax adjustment for property damaged by a natural disaster, if the damage causes a decrease in taxable value of at least 30%. Natural disaster means an explosion, fire, flood, storm, tornado, wind, earthquake, lightning, adverse weather event or any similar event as determined by USTC rule. The owner of the property may apply to the county BOE for an adjustment on or before the later of the normal deadline for a real property appeal or 45 days after the day on which the damage occurs. The BOE is to hold a hearing 30 days after the application is received. If the burden of proof is met, the BOE is to reduce the property value by an amount equal to the decrease in taxable value of the property multiplied by the percentage of the calendar year remaining after the natural disaster damage occurred and notify applicant within 30 days of the hearing. If the BOE value adjustment is made on or before May 15, the assessor is to adjust the taxable value in the assessment book before delivering it to the county auditor. The BOE decision may be appealed to USTC.

HB 380 Amendments to Local Districts Effective 5/2/05

Allows an area in a local district and also located in a first class county providing fire protection, paramedic and emergency services to be automatically withdrawn from the local district by the incorporation of a municipality whose boundaries include the area if the municipality approves the withdrawal.

SB 23 Property Tax Treatment of Tangible Personal Property Effective 1/1/06

Defines terms and imposes uniform statewide fees on primarily recreational vehicles and vessels (boats); i.e. all-terrain vehicles, campers, motorcycles (both on road and off road), trailers, personal watercraft, small motor vehicles, snowmobiles, tent trailers, travel trailers and vessels less than 31 feet in length. Procedures are provided for measuring the length of vessels for the purpose of imposing uniform statewide fees.

SB 53 Land Value Property Tax Study Effective 5/2/05 and Repealed on 11/30/05

Directs the Utah Tax Review Commission, during the 2005 interim, to conduct a study of the desirability and feasibility of implementing a land value property tax system to be operated concurrently with the existing property tax system. It describes the scope of the study, describes the responsibilities of the Tax Review Commission and provides for the creation of a subcommittee to assist in the study. A final report is due to the Revenue and Taxation Interim Committee before November 30, 2005.

SB 54 Property Tax Confidentiality Amendments Effective 5/2/05

Modifies both the circumstances under which commercial information is disclosed and under which an individual who discloses commercial information is guilty of a Class A misdemeanor. It requires the Tax Commission to prepare a written explanation of the property tax confidentiality provisions and make that explanation available to the public as well as requires employers to provide the written explanation to persons who are likely to receive commercial information. Also, it requires the person who receives the written explanation to read and sign it and the employer is to retain the signed copy for six years after the day on which the person's employment terminates. Also, USTC is to define by rule "employer".

SB 60 Local Land Use Development & Management Amendments Effective 5/2/05

Modifies county and municipal land use, development policy and administrative issues. Section 10-9a-603 allows a municipality to withhold an otherwise valid [*subdivision*] plat approval until the owner of the land provides the legislative body with a tax clearance indicating that all taxes, interest, and penalties owing on the land have been paid.

SB 80 Special Service Districts –Service Expansion Effective 5/2/05

Under certain circumstances, economic development activities are added to the list of services that Part 13 special service districts are authorized to provide. Included are special service districts which receives federal mineral lease funds and expends those funds on economic development activities to promote the creation of jobs that do not compete with existing retail establishments within the special service district. However, counties and municipalities are prohibited from levying a property tax for a special service district that provides economic development services.

SB 88 Creation of Local Districts Effective 5/2/05

Extends the prohibition on initiating the process to create a local district from May 2, 2005 until May 5, 2008.

SB 121 Property Tax Exemption Amendments Retrospective Operation to 1/1/04

Provides that, retroactive to *January 1, 2004*, when property is acquired by a nonprofit entity and used exclusively for religious, charitable, or educational purposes, the nonprofit entity is only required to collect and pay a proportional property tax based on the amount of time the property was not owned by the nonprofit entity. For property acquired after *December 31, 2005*, when the property ceases to qualify for a religious, charitable, educational or governmental exemption because of a change in ownership, the new owner pays a proportional tax based upon the time the new owner owned the property; this ownership change must be reported to the county assessor within 30 days. Also, it modifies the application and BOE deadlines for the religious, charitable, or educational property tax exemption.

SB 161 Amendments to the Property Tax Valuation Agency Fund Assessing & Collecting Levy

Effective 5/2/05

Reduces the maximum rate of the state multicounty assessing and collecting levy from .0003 to .0002; also, it increases the county assessing and collecting levy from .0002 to .0003. It provides that a county may not receive funds from the Property Tax Valuation Agency Fund unless the county levies a county assessing and collecting levy of at least .0003. For 2005, the .0003 levy is exempt from Truth In Taxation; however, beginning in 2006, the county assessing and collecting levy is subject to Truth In Taxation. It places limitations on the amounts that may be collected from and distributed to counties from the Property Tax Valuation Agency Fund. It provides that a county tax levied to fund legislative or state mandated actions, judicial or administrative orders, may be included on the tax notice with the county assessing and collecting levy as part of the countywide aggregate tax rate.

SB 172 Division of Real Estate Amendments Sections 61-2b-10, 14, & 15 Effective 1/1/08; otherwise effective 5/2/05

Modifies provisions related to the regulation of the real estate, appraiser and mortgage industries by the Division of Real Estate. It modifies the Real Estate Appraiser Licensing and Certification Act to include: modifying references to registration, amending definition provisions, repealing references to senior appraisers, addressing when licensing and certification is required, modifying the duties of the division including determining fees, providing for trainees and establishing trainee fees, addressing registration of expert witnesses, addressing when the division is to make available certain information, modifying provisions related to the Real Estate Appraiser Licensing and Certification Board including makeup and duties of the board, addressing applying for licensure or certification, modifying restrictions on the use of terms and provisions related to appraisal reports and addressing the duty of the division to provide the public information concerning appraisers. There is a new policy for disciplinary action; a person whose license or certification is revoked may not act as a trainee until at least four years after the day of revocation. Effective January 1, 2008, it modifies provisions related to state-licensed appraisers, state-certified residential appraisers and state-certified general appraisers: (1) increases the classroom hours from 90 to 150 hours for state-licensed appraisers; (2) requires a state-certified residential appraiser to have an associate degree or higher degree or successfully pass a curriculum determined by rule of collegiate-level subject matter courses from an accredited institution and increases the classroom hours from 120 to 200 hours; (3) requires a state-certified general appraiser to have at least a bachelor's degree or similar education and increases the classroom hours from 180 to 300 hours.

SB 184 Redevelopment Agency Amendments Effective 5/2/05

Modifies provision of the Redevelopment Agencies Act as follows: (1) Prohibits an RDA from adopting a project area plan for retail growth redevelopment projects from July 1, 2005 through June 30, 2006 unless a blight study has been commissioned and completed and requires an agency's finding of blight to be approved by the taxing entity committee. (2) Prohibits an RDA from using

eminent domain to acquire property unless an agency member already owns the land. (3) Eliminates a provision that defines incidental or subordinate development of retail sales to include development of retail sales of goods from a convention center or sports complex facilities. (4) Eliminates a provision allowing a first or second class city to use tax increment from one project area in another project area to pay for a convention center or sports complex and prohibits an agency from using tax increment to pay for a stadium or arena. In addition, it eliminates provisions authorizing additional tax increment to be paid to an agency to pay for a convention center or sports complex, cable television and public telecommunications service, an I-15 interchange, and the relocation of an agriculture-related business. (5) Prohibits an amendment to a project area plan that increases the size of the project area or lengthens the time that tax increment is to be paid to an agency as well as prohibiting tax increment under a post June 30, 1993 project area plan from being paid to an agency for more than 25 years. (6) Shifts the authority to appoint one of the two taxing entity committee representative in first-class counties from the county executive to the county legislative body.

SB 190 County Officer Amendments Effective 5/2/05

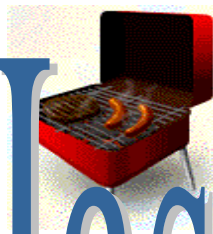
Prohibits the consolidation of the offices of county assessor and county treasurer. It requires the county legislative body to enact an ordinance by February 1, 2006 separating any county offices that are prohibited from consolidation and to publish by February 15, 2006 a notice identifying the county offices that will be filled in the November 2006 election.

HJR 20 Master Study Resolution Effective 5/2/05

The following property tax-related items may be studied during the 2005 legislative interim:

- (1) Administration of Personal Property Taxes – to study the administration, assessment, and collection of property taxes on personal property including a review of minimum taxes for small businesses, exemption of supplies, filing requirements, forms and other aspects of administration.
- (2) Past Due Property taxes – to study and review the interest and penalties on past due property taxes.
- (3) Property Tax Burden on Seniors—to study whether to amend the Utah Constitution to authorize the Legislature to adjust property tax laws so that the property taxes paid by seniors do not become overly burdensome.
- (4) Property Tax on Propane Tanks – to study personal property taxes on propane tanks and why some counties provide exemptions from personal property taxes and others do not.

Tax Collections – to study how assessing and collecting taxes on personal property is administered.



Spring Has Sprung